DOLMEN DAILY

March 30, 2005

Contact Details: Email : research@dbb.ie info@dbb.ie Tel : +353 1 633 3800 Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6097 ↓	-33	-0.53%	11.0	-1.62%
FTSE 100	4919 ↓	-4	-0.08%	13.5	2.18%
DAX 30	4352 ↑	8	0.18%	15.0	2.25%
DOW	10406 ↓	-80	-0.76%	19.5	-3.50%
NASDAQ	1974 ↓	-19	-0.94%	15.6	-5.51%
S&P	1165 ↓	-9	-0.76%	21.0	-3.85%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2963	0.6894	139.0700
Dollar	1.2963	1.0000	1.8799	107.2200
Sterling	0.6894	1.8799	1.0000	201.6100
Yen	139.0700	107.2200	201.6100	1.0000

This Week's Research
IFG Group

Today's Research
RBOS

Breaking News

ISE to launch small companies market

The Irish Stock Exchange will launch its new small company market next month. The Irish Enterprise Exchange (IEX), which comes into effect on April 12 and will be comprised of eight companies currently listed on the Exploration Securities Market (ESM) and the Developing Companies Market (DCM). The regulatory requirements of the IEX will be similar to the Alternative Investment Market (AIM) in London, with reduced admission criteria, no requirement for a prior trading record, and no minimum requirement for the number of shares in issue. The ISE hopes that the new market will encourage the 17 existing Irish companies on the AIM market to seek dual listing in Dublin. Companies joining the IEX will face almost identical requirements to securing an AIM listing. Though companies applying for an IEX listning will be required to have a minimum market capitalisation of €5 million.

Irish Nationwide posts record results

Pretax profits at Irish Nationwide climbed by 16 per cent in 2004 as lending and customer deposits significantly increased. Pretax profits rose from €117 million to €135 million, while gross lending rose to €2.3 billion, from €1.7 billion in the previous year. Commenting on the impressive results Chief executive Michael Fingleton said "the underlying quality of the society's mortgage book is positive and is underpinned by low interest rates and increasing property values." But he also expressed his disappointment at the Government's delay in the removal of a five-barrier to a takeover of demutualised institutions.

UK mortgage approvals up in February

The number of loan approvals for home purchases increased in February but was still down more than a third on the year, the British Bankers' Association has said. The association of major banks said approvals rose to 47,365 from 33,451 in January in the first monthly rise after eight months of falls. But they were down 35 percent from 72,339 in February 2004. The BBA took February's pick-up as a sign that the slowing mortgage market trend of 2004 could be bottoming out.

Today's Recommendations

RBOS (£16.84) Valuation compelling once again Stuart Draper

- Profit-taking : Following the 20% rise in the RBOS share price over the 7 months to the end of February, there has been some profit-taking in recent weeks that has created a compelling entry level once again under £17.
- Compelling valuation : The obvious valuation argument is that given the bank's strong US growth prospects, as well as its dominant UK market position, the shares at least warrant a UK sector average rating of 10x 2005 earnings and a fair value of £19 (13% further upside), based on 10x consensus 2005 eps of £1.90. RBOS will also pay a dividend yield of c.3.9% this year.
- Hidden value : However, if the value of the bank's US Citizens business is given a US sector average multiple of 14x 2005 earnings (AIB's M&T stake is currently rated at 15x 2005 eps), then this unit is worth c.£16 bn, leaving the rest of the RBOS group valued at only £37.5 bn currently, or at c.7.4x 2005 eps.
- 2004 results : Such analysis exposes the hidden value within RBOS' current equity market valuation and its limited downside risk and major upside potential. RBOS recently reported profit before tax and earnings per share of £8.101 bn and £1.725 respectively for the year ended 31/12/04, year on year increases of 15% and 10%. Continued strong profit growth was driven by strong loan growth, stable margins, robust credit quality and a stable cost/income ratio.
- Overhang resolved : Spanish bank, SCH, recently announced that its remaining 2.6% RBOS shareholding has been placed at £17.20 per share. The fact that the placing was twice oversubscribed indicates that there remains strong institutional demand for the shares at current levels, and the fact that this overhang has been resolved augers well for the RBOS share price over the rest of 2005.
- Merger synergies : However, it is RBOS' $10.5 bn CF acquisition last summer, which is likely to provide the strongest earnings growth platform for the UK bank in 2005. This merger is likely to generate at least $185m of cost savings, c.22% of CF's cost base, and is likely to boost its 2003 profit before tax of $924m by $407m within 3 years. In addition to the significant organic growth prospects generated by the CF deal, the highly fragmented nature of the Mid West banking market provides numerous fill-in acquisition opportunities for a UK bank with a proven track record of successful acquisition integration : **BUY**.

Business Press

- MCI accepts revised offer (FT)
- Dispute at Morgan Stanley escalates (FT)
- Burren's Congo well is tested (II)
- Vodafone reaches shares target (IE)
- Ryanair takes case over pilots' website (IE)

Investment Press— Lex

- Tate & Lyle: Are investors in Tate & Lyle indulging in a sugar rush? Shares in the UK sweeteners group have risen 83 per cent over the past 12 months. The reason is Sucralose, an artificial sweetener catering to calorie-conscious consumers.

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies.
Dolmen Stockbrokers is a Member of the Irish Stock Exchange, the London Stock Exchange, and is authorised by the IFSRA. Dolmen Stockbrokers is regulated by the IFSRA **as a Mortgage Intermediary.**

DOLMEN SECURITIES

DOLMEN SECURITIES → Website : www.dolmensecurities.com
Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland. ▪ Tel : +353 1 633 3800 ▪ Fax : +353 1 677 7044 ▪ Email : info@dbb.ie
45 South Mall, Cork, Ireland. ▪ Tel : +353 21 422 2122 ▪ Fax : +353 21 422 2123 ▪ Email : cork@dbb.ie